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SUBJECT: Manila Port Readies for Nuclear Detection

REF: Manila 4541

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Summary

1. (SBU) Port operators and government officials implementing the USDOE Megaports Initiative are eager to see the program operational by mid-2006. Megaports is designed to place equipment at major international ports to scan all incoming containers for the detection of radioactive materials and nuclear weapons (ref:tel). The implementing agents for the program at two ports in Manila are communicating well following their successful training conference in the U.S. last month. They are drafting an MOA to divide up responsibilities and working with USDOE to address concerns over long-term maintenance costs, productivity and revenue, and protocols for container inspection. While port operators appreciated the ability to support international security objectives, minimizing business liabilities and risks and ensuring procedural and financial accountability at both ports will improve the efficacy and sustainability of the program. End Summary.

Support for Megaports

2. (U) Econoffs met with local port terminal operators and GRP officials from the port authority and atomic energy commission to discuss the current status and remaining issues in the implementation of the Megaports Initiative in Manila. The private and public sector representatives had all returned from a training program in Washington State in early October and expressed sincere enthusiasm for the US Energy Department initiative. The operators said the training was an introduction to equipment operation and conceptual design, but they would be prepared to train others in their respective offices once the equipment is installed at South Harbor and the Manila International Container Terminal (MICT). They understood the importance of scanning all container traffic coming into the port for radioactive materials because of the potential that the Philippines could be a transit point for such weapons of mass destruction. They expressed interest in expanding the program to other Philippine ports so these materials do not slip into the south "through the backdoor."

3. (U) The Megaports Initiative is a program of the Department of Energy's National Nuclear Security Administration (NNSA) to detect and interdict radioactive materials and nuclear weapons of mass destruction at major international ports. In the Philippines, the collaborative initiative with the GRP aims to strengthen port security and protect Philippine citizens from accidental or intentional exposure to radiation. The USG and GRP signed a Memorandum of Intent to implement the program in Manila on July 19, 2005. NNSA will install portals to screen rolling container trucks and provide handheld equipment to further identify materials in case an alarm is tripped. Only as a final resort will the contents of the container be unsealed and examined. The attendees explained that nearly all of the alarm trips could be explained and dispensed by examining the description of contents in the container manifest.

4. (SBU) At an earlier meeting, port operators told econoffs that the Megaports Initiative was an important collaboration between the US and Philippines. International Container Terminal Services, Inc. (ICTSI) General Manager Captain Andy Andrews said RP compliance would boost the port's international credibility. He believed that the US Department of Homeland Security (DHS) is moving away from rating countries and toward rating terminals. By demonstrating a commitment to the Megaports Initiative, he said, DHS may give ICTSI a high rating and allow it to fast-track container shipments to the US. Andrews noted that ICTSI currently has a lot more export business to the US than its competitor Asian Terminals Inc. (ATI). His

counterpart at ATI, Senior Vice President for International Operations Mark Ripka, said he hoped to attract more US trade through his port and thought complying with the Megaports program would boost his clientele numbers.

Small Waves in the Way?

15. (SBU) Philippine Port Authority (PPA) Manager Alex T. Cruz told Econoff the various departments and offices involved in Megaports implementation were communicating well and had already begun to draft a Memorandum of Agreement (MOA) to delineate each party's role in implementation. Although several issues needed to be resolved, Cruz said the MOA would be discussed and signed well before the equipment was in place. He said the PPA would adjust staffing requirements and assign employees to the Central Alarm Station (CAS) once the MOA is finalized.

16. (SBU) One of the lingering concerns for the team was the maintenance of the equipment (reftel). Special Police Major for the Bureau of Customs (BOC) Nicomedes Enad said it was unclear who would bear the responsibility and the cost of maintenance. Terminal operators recognized that spare parts were not readily available in the Philippines and they expected to run out of the initial allotment fairly quickly. Ripka and Andrews assumed that they could recover maintenance costs through PPA-mandated fees, but Cruz said his organization had not committed to this arrangement yet. Other operators remarked that the equipment may last only 5 years and expressed concern about replacing the equipment and continuing the program.

17. (SBU) Both Cruz and Enad wanted USG assurances about the operational impact of the initiative. The GRP reps did not want to adjust container-handling fees as yet because they were unsure how to calculate productivity, the anticipated percentage of false alarms, or the length of time needed each day to handle screening problems. Terminal operators felt that these issues could dramatically affect planning and profitability and requested GRP openness to possible policy change once the program is running.

Operational Efficiency Main Priority

18. (SBU) While the training team agreed that terminal operators must scan all container traffic, there may be disincentives to compliance, particularly for ATI, whose physical layout does not lend itself to conveniently located portals. ATI's Project Officer for International Operations Alejandro dela Cruz said ATI often handles transshipments where containers are offloaded from one boat and reloaded elsewhere on the same pier. He speculated that it might slow business if trucks must carry the containers through the portals before loading them onto the second boat. Ripka also complained of limited space for traffic flow to hold trucks should a secondary inspection become necessary. He added that delayed ships could clog the ports and agitate customers who depend on timely arrivals and departures.

19. (SBU) Both port operators agreed that the initiative would be financially feasible only if both operators imposed similar conditions and fees. Ripka declared that not only must API remain competitive with ICTSI but also with ports in neighboring countries. The Megaports program might impose bottlenecks in Manila while neighboring Asian countries did not require the scanning. Andrews expressed that charging fees is another opportunity for corruption and argued for transparency and oversight.

Not Alarmed by Alarms

10. (U) The team is still discussing who would incur the costs of a container examination, but believed that most alarms could be resolved with a quick and unobtrusive secondary inspection. According to Philippine Nuclear Research Institute's (PNRI) Nuclear Safeguards Head Julietta (Jay) E. Seguis, a container that sounded an initial alarm could undergo a secondary inspection with handheld equipment to identify the radioactive substance in minutes without the container being opened. Only cases involving a suspicious material would warrant a tertiary inspection by PNRI reps. Ripka stated that if the container held potentially dangerous nuclear materials, he did not want to open it at the congested port.

Comment

11. (SBU) USDOE will cover maintenance costs for three

years, during which time the GRP would prepare itself to assume full responsibility. In an effort to promote sustainability, the GRP is considering a screening tariff to cover anticipated costs. Tariffs and decisions to inspect boxes are not only security issues but also potential avenues for corruption. Both port operators are looking to the Philippine Port Authority and Customs for standardization and transparency. The team hoped that concurrent monitoring would enhance accountability. Megaports discussions are also underway with neighboring Singapore, Indonesia, Malaysia, and Thailand, and promoting Manila as a regional Megaports leader may help bolster pride and stimulate maintained interest in the program. The US Megaports team plans to return to Manila in January 2006 to conduct an engineering survey of the port, and hopes to have the equipment installed and ready for testing before July.

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